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Illinois Department of Transportation

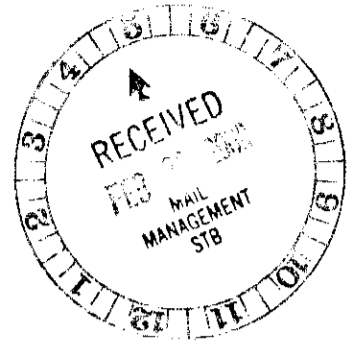
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February 24, 2000

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Surface Transportation Board
Office of the Secretary
Case Control Unit
1925 K Street, NW
Washington, DC 20423-0001

RE: STB Finance Docket No. 33842, *Canadian Nation Railway Co., et al. - Common Control*; STB Ex Parte No. 582, *Public Views on Major Rail Consolidations*

Dear Mr. Secretary:

As Secretary of the Illinois Department of Transportation, I am writing to convey to the board my concerns over the potential impacts of the proposed acquisition of the Burlington Northern Santa Fe Railway by Canadian National Railway on the state of Illinois and, in particular, the heavily-used and already congested Chicago terminal area.

Let me address the future merger issue first. Illinois, as the rail hub of the US, experienced firsthand the problems that resulted from the western and eastern mergers, via delay to service for our industries and agricultural constituents. We are concerned that approval of the BNSF/CN consolidation may trigger another round of major rail consolidations at a time when the eastern railroads, in particular, have not completed their integration of the Conrail transaction. More work needs to be done to improve freight train operations and service in and around Chicago. Another wave of mergers is likely to draw the attention of railroads away from continuing their efforts to improve their existing networks. This should be a time for railroads to consolidate their gains, not increase risk for more expansion.

Now, let me address Chicago. Both BNSF and CN operate significant freight rail lines in Illinois, including connecting lines in the Chicago terminal area. As one of the major points of interchange for freight traffic in the US, Chicago forms a critical link in the nation's freight rail infrastructure. The rail lines linking the major railroads in Chicago are among the busiest and most congested in the country. The Chicago terminal area is also heavily used by Metra for commuter rail service. Recent years have seen a significant growth in the volume of freight traffic moving through the Chicago area, including altered interchange patterns resulting from the recent Conrail transaction. Because Chicago is a significant connection point for BNSF and CN, there is a risk that the transaction will increase traffic volume and congestion. Even if the overall numbers of trains do not change, traffic patterns will. This change may adversely affect the new railroad industry cooperative operating compact in Chicago.

Rail operations in the Chicago terminal area are still adjusting to the changes brought by the recent Conrail transaction. Introducing another merger-related change in traffic volume and traffic patterns could impede traffic flows for all carriers in the area. The Board will recall the enormous operating problems that the Houston terminal area experienced in the wake of the Union Pacific/Southern Pacific merger. While it is far too soon to predict that the BNSF/CN transaction will cause similar problems, the complex nature of the rail operations in and around Chicago and the critical nature of the Chicago terminal lines suggest that this should be closely studied by the Board before it reaches a final decision on the BNSF/CN proposal.

We are particularly concerned about the effects that the BNSF/CN proposal may have on the longstanding efforts of the state and the city of Chicago to reroute traffic (particularly CN traffic over its subsidiary Illinois Central) that now moves over the St. Charles Airline route along Lake Michigan. Public agencies in Illinois have been working for years with Illinois Central and the other railroads (including CN, NS, BNSF, UP and CSX) to create an alternative route to replace the St. Charles Airline, thus diverting IC freight trains away from the lakefront area and the McCormick Place convention facility. The impact of this proposed merger on those carefully drawn plans and painful compromises made by the railroads and the public agencies must also be assessed before the potential value of the merger can be determined.

The state of Illinois has not yet reached a final position on the proposed BNSF/CN consolidation. Nevertheless, the transaction raises serious issues and deserves the most deliberate and extensive assessment by the Board.

The Illinois Department of Transportation would like to appear at the Board's scheduled hearing in the Ex Parte No. 582 proceeding and to present to the Board directly our views on the potentially industry-wide impacts of additional major rail consolidations. We request five minutes of time to present our views. We recognize that notices of intent were due February 8, 2000 but respectfully request that the Board nevertheless consider and grant this request.

Sincerely,

A handwritten signature in black ink, appearing to read 'Kirk Brown', with a long horizontal flourish extending to the right.

Kirk Brown
Secretary